

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>AUSABLE-OSCODA JOINT INDUSTRIAL PARK</b>	County <b>IOSCO</b>
Audit Date <b>12/31/2004</b>	Opinion Date <b>03/16/2005</b>	Date Accountant Report Submitted to State: <b>05/03/2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <b>STEPHENSON, GRACIK &amp; CO., P.C.</b>			
Street Address <b>325 NEWMAN STREET, PO BOX 592</b>	City <b>EAST TAWAS</b>	State <b>MI</b>	ZIP <b>48730</b>
Accountant Signature  <b>Donald W. Brannan CPA</b>		Digitally signed by Stephenson, Grack and Co., P.C. DN: cn=Stephenson, Grack and Co., P.C., c=US Date: 2005.02.14 14:30:02 -05'00'	



*Stephenson Gracik & Co., P.C.*

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Herman A Bertuleit, CPA

AUSABLE-OSCODA JOINT INDUSTRIAL PARK FUND  
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2004 AND 2003

## I\_N\_D\_E\_X

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# *Stephenson Gracik & Co., P.C.*

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March 16, 2005

## Independent Auditors' Report

Members of the Township Board  
AuSable-Oscoda Joint Industrial Park Fund  
Iosco County, Michigan

We have audited the accompanying financial statements of the governmental activities of the AuSable-Oscoda Joint Industrial Park Fund, Iosco County, Michigan, as of and for the years ended December 31, 2004 and 2003, as shown on pages 2 and 3, which comprise a portion of the Industrial Park's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Industrial Park's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 2, management has not presented the management discussion and analysis and the government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of the management discussion and analysis and the government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Industrial Park's governmental activities is not reasonably determinable.

As described more fully in Note 4, the Industrial Park did not approve a budget for the Governmental Fund. Accordingly, the supplementary budgetary comparison information is not included as required by accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of the omissions described in the preceding paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the AuSable-Oscoda Joint Industrial Park Fund, Iosco County, Michigan, as of December 31, 2004 and 2003, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2005, on our consideration of the AuSable-Oscoda Joint Industrial Park Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

As described in Note 2, the AuSable-Oscoda Joint Industrial Park Fund has partially implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2004.

*Stephenson, Gracik & Co., P.C.*

AUSABLE-OSCODA JOINT INDUSTRIAL PARK FUND  
Iosco County, Michigan

BALANCE SHEETS  
 GOVERNMENTAL FUND  
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash and cash equivalents (Note 3)	\$ 23,944	\$ 25,023
Land and improvements	<u>127,398</u>	<u>127,398</u>
Total Assets	<u>\$ 151,342</u>	<u>\$ 152,421</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>Liabilities</u>		
Due to local units	\$ 0	\$ 575
<u>Fund Equity</u>		
Fund Balance:		
Unreserved:		
Undesignated	<u>151,342</u>	<u>151,846</u>
Total Liabilities and Fund Equity	<u>\$ 151,342</u>	<u>\$ 152,421</u>

The accompanying notes to financial statements are an integral part of this statement.

AUSABLE-OSCODA JOINT INDUSTRIAL PARK FUND  
Iosco County, Michigan

STATEMENTS OF REVENUE, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUND  
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Revenue</u>		
Interest on investments	<u>\$ 183</u>	<u>\$ 174</u>
 <u>Expenditures</u>		
Professional services	0	131
Audit	545	575
Miscellaneous	<u>142</u>	<u>131</u>
Total expenditures	<u>687</u>	<u>837</u>
 Excess of revenue over (under) expenditures	(504)	(663)
 Fund balances - beginning of year	<u>151,846</u>	<u>152,509</u>
 Fund balances - end of year	<u><u>\$ 151,342</u></u>	<u><u>\$ 151,846</u></u>

The accompanying notes to financial statements are an integral part of this statement.

AUSABLE-OSCODA JOINT INDUSTRIAL PARK FUND  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the AuSable-Oscoda Joint Industrial Park Fund conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The following is a summary of the significant accounting policies.

A. Description of Industrial Park's Operations

The financial statements have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Industrial Park's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. All activities over which the Industrial Park exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Joint Venture

The AuSable-Oscoda Joint Industrial Park Fund functions as a joint venture between the Charter Township of AuSable and the Charter Township of Oscoda. The purpose of the entity is to promote, purchase and sell certain industrial properties known as the AuSable-Oscoda Industrial Park. All costs and expenses, net of funds received from County, State and Federal Governments, are to be shared by the two Townships on a 50-50 basis.

C. Fund Accounting

The Industrial Park uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds are those through which all of the governmental functions of the Industrial Park are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the major governmental fund of the Industrial Park:

General Fund – This fund accounts for all financial resources. Revenues are derived primarily from interest income and lot sales.

D. Basis of Presentation

The Industrial Park's basic financial statements consist of fund financial statements which provide a detailed level of financial information.

AUSABLE-OSCODA JOINT INDUSTRIAL PARK FUND  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

Fund Financial Statements

During the year, the Industrial Park segregates transactions related to certain Industrial Park functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Industrial Park at a detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. All of the Industrial Park's funds are considered major funds.

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions:

On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Industrial Park, available means expected to be received within 60 days after year-end.

Nonexchange transactions, in which the Industrial Park receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Industrial Park must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Industrial Park on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, interest on investments is considered both measurable and available at year-end.

Expenditures:

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.



AUSABLE-OSCODA JOINT INDUSTRIAL PARK FUND  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fixed Assets and Depreciation

Purchases of fixed assets are capitalized at cost at the time of purchase. No depreciation expense has been provided for the fixed assets.

G. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

H. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Industrial Park are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles

For 2004, the Industrial Park has implemented, with exceptions as noted below, Governmental Accounting Standards Board (GASB) Statement Number 33 "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement Number 36 "Recipient Reporting for Certain Shared Non-Exchange Revenue," which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting; GASB Statement No. 34, "Basic Financial Statements -and Management's Discussion and Analysis -for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the Industrial Park's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The government-wide financial statements split the programs between governmental activities and business-type activities.

The Industrial Park did not adopt GASB 34 and GASB 37 in its entirety, as permitted by the Local Audit and Finance Division of the Treasury Department of the State of Michigan (State of Michigan), because the Industrial Park believes that the cost of implementing the statements may exceed the benefit of the additional information. The Industrial Park also believes that the omissions of the Management Discussion and Analysis, Government-wide Financial Statements and certain permitted note disclosures were not material to the statements as a whole.

AUSABLE-OSCODA JOINT INDUSTRIAL PARK FUND  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2004 and 2003

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Industrial Park's deposits and investments were reported in the basic financial statements in the following categories:

	<u>2004</u>	<u>2003</u>
Cash and Cash Equivalents	<u>\$ 23,944</u>	<u>\$ 25,023</u>

The breakdown between deposits and investments is as follows:

	<u>2004</u>	<u>2003</u>
Bank Deposits (checking accounts)	\$ 944	\$ 23
Investments in financial institution pooled funds	<u>23,000</u>	<u>25,000</u>
Total	<u>\$ 23,944</u>	<u>\$ 25,023</u>

Deposits:

Deposits are carried at cost. Deposits of the Industrial Park are held at National City Bank, Oscoda, MI in the name of the Industrial Park. At December 31, 2004 and 2003, the carrying amounts of the Industrial Park's deposits were \$944 and \$23 with corresponding bank balances of \$944 and \$23, respectively.

Investments:

The Industrial Park Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Industrial Park to deposit and invest in the following:

- \* Accounts of federally insured banks, credit unions and savings and loan associations
- \* Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- \* United States government or federal agency obligation repurchase agreements
- \* Banker's acceptances of United States banks

AUSABLE-OSCODA JOINT INDUSTRIAL PARK FUND  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2004 and 2003

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments: (Continued)

- \* Commercial paper rated within the two highest classifications by not less than two standard rating services which matures not more than 270 days after the date of purchase
- \* Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Industrial Park's deposits and investments are in accordance with statutory authority.

The Industrial Park's investments are categorized to give an indication of the level of risk assumed by the Industrial Park at December 31, 2004. The categories are described as follows:

Category 1 - Insured or registered, with securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

All investments of the AuSable-Oscoda Joint Industrial Park Fund consisted of the following which are not required to be categorized:

	<u>December 31, 2004</u>		<u>December 31, 2003</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government <u>Nonrisk-Categorized</u>				
Financial institution pooled funds	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

NOTE 4 - INCOMPLETE FUNDS

The Industrial Park did not approve a budget as required by P.A. 621 of 1978. Therefore, the required supplementary information, budget and actual comparison report, has not been included which should be included to conform with accounting principles generally accepted in the United States of America.



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March 16, 2005

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Township Board  
AuSable-Oscoda Joint Industrial Park Fund  
Iosco County, Michigan

We have audited the financial statements of the governmental activities of the AuSable-Oscoda Joint Industrial Park Fund, as of and for the year ended December 31, 2004, which collectively comprise the Industrial Park's basic financial statements and have issued our report thereon dated March 16, 2005. The report on the governmental activities was qualified because the Management Discussion and Analysis and Government-Wide Financial Statements were not included in the basic financial statements and because the Industrial Park did not adopt a formal budget. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the AuSable-Oscoda Joint Industrial Park Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described below:

Budget Control

The AuSable-Oscoda Joint Industrial Park Fund did not adopt a budget for the year ended December 31, 2004. We recommend that the Industrial Park adopt a budget on an annual basis, review the adopted budget on a periodic basis and amend as needed to be in compliance with the Uniform Budgeting and Accounting Act.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the AuSable-Oscoda Joint Industrial Park Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Park Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Gracik & Co., P.C.*